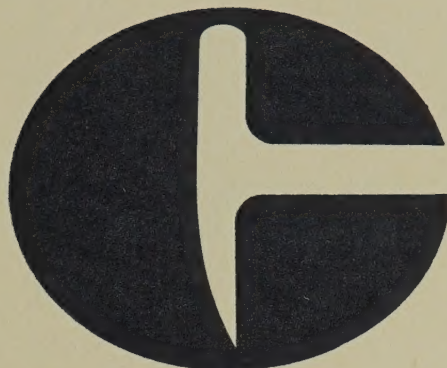


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**CONWEST
EXPLORATION**
C O M P A N Y L I M I T E D

THIRTY-FIFTH ANNUAL REPORT

NOTICE OF MEETING

INFORMATION CIRCULAR

December 31 — 1973

Thirty-Fifth Annual Report

of

C O N W E S T

EXPLORATION COMPANY LIMITED

OFFICERS

F. M. CONNELL, O.B.E.	- - - - -	Chairman
C. R. ELLIOTT	- - - - -	President
M. P. CONNELL	- - - - -	Executive Vice-President
I. F. T. KENNEDY	- - - - -	Vice-President
J. R. SCRIMGER	- - - - -	Secretary
J. C. LAMACRAFT	- - - - -	Treasurer
D. B. MacDERMOTT	- - - - -	Assistant Secretary

DIRECTORS

F. M. CONNELL, O.B.E.	- - - - -	Toronto, Ontario
W. H. CONNELL	- - - - -	Spencerville, Ontario
E. B. CONNELL	- - - - -	Spencerville, Ontario
M. P. CONNELL	- - - - -	Toronto, Ontario
J. D. CHRISTIAN, C.B.E.	- - - - -	Toronto, Ontario
K. A. CREERY	- - - - -	Montreal, Quebec
C. R. ELLIOTT	- - - - -	Bowmanville, Ontario
S. E. JAMIESON	- - - - -	Toronto, Ontario
I. F. T. KENNEDY	- - - - -	Toronto, Ontario
J. C. L.A.		

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITOR

D. B. MacDERMOTT - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST - Toronto, Ontario

ANNUAL MEETING

11:00 A.M., June 20, 1974 - - - - - The Tudor Room
Royal York Hotel
Toronto, Ontario



Tenth Floor
85 Richmond Street West
TORONTO, ONTARIO
M5H 2G1

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual and Special Meeting of the Shareholders of Conwest Exploration Company Limited will be held at the Tudor Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Thursday, June 20th, 1974 at the hour of 11:00 o'clock in the forenoon, for the following purposes:—

1. To receive the thirty-fifth annual report of the directors.
2. To receive the financial statement of the Company for the year ended December 31, 1973, together with the auditors' report thereon.
3. To consider and if deemed appropriate to ratify By-Law 89 being a by-law to decrease the Board from 9 directors to 7 directors.
4. To elect directors.
5. To appoint auditors and to authorize the directors to fix their remuneration.
6. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

Dated May 21, 1974,
Toronto, Ontario.

See Pages 17 to 19 for Information Circular



To the Shareholders,
Conwest Exploration Company Limited,

Messrs. F. M. Connell, W. Harold Connell and K. A. Creery, have requested that they not be nominated for re-election to the Board of Directors. All have been directors of the company since its inception and have served the company well for thirty-six years. Mr. F. M. Connell was the company's first President. He continued in that capacity until 1964 when he became Chairman of the Board. Mr. Connell has agreed to continue to advise the directors and officers of the company in a consulting capacity. Mr. W. Harold Connell was Vice-President of the company from its inception until 1970. His wisdom has contributed much to the company's activities. Mr. K. A. Creery was President and Chairman of The British Metal Corporation (Canada) Limited for many years until his retirement several years ago. He contributed freely from his special knowledge, particularly of the world supply and demand for metals. Your board takes this opportunity to express its deep appreciation of the service and advice the retiring directors have given over many years.

On Behalf of the Board,

C. R. ELLIOTT,
President.



Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited,

Your directors submit the 35th Annual Report on the affairs of your company including the auditors' report, the balance sheet as at December 31, 1973 and the related statements of income and retained earnings and the statement of source and application of funds for the year ended on that date.

The following summarizes the principal interests and exploration activity of the company.

CASSIAR ASBESTOS CORPORATION LIMITED

Your company holds 550,100 shares of Cassiar Asbestos Corporation Limited.

During the year, Cassiar earned \$17,803,606 before providing for depreciation, waste removal, and other write-offs aggregating \$13,175,132 leaving a net profit before income taxes of \$4,628,474 compared to \$7,198,158 in 1972. Provision for income taxes of \$1,580,000 resulted in a net profit for the year of \$3,048,474 or \$0.554 per share as compared to \$4,323,158 or \$0.786 per share in 1972. The Annual Report of Cassiar Asbestos Corporation Limited is appended for your further information.

JOREX LIMITED

Your company held at the year end 203,000 shares of Jorex Limited, representing approximately 8% of the outstanding capital of that company. Jorex conducts a programme of general exploration across Canada and in the United States with expenditures on exploration in 1973 of approximately \$600,000.

LIARD FLUORSPAR MINES LIMITED

Your company held at the year end, 536,236 shares of Liard Fluorspar Mines Limited, representing 38% of the outstanding capital of that company. Subsequent to the year end, an additional 134,058 shares have been acquired and the company now holds 47.5% of the outstanding shares of Liard. No work was carried out on that company's claims in northern B.C. during the year.

WEST GRAHAM MINES LIMITED

Conwest holds 701,863 shares or 48% of the capital stock of West Graham Mines Limited issued and outstanding as at December 31, 1973. No work was carried out during the year.

BASIN OIL EXPLORATION LIMITED

Your company held at the year end, 681,661 shares of Basin Oil Exploration Limited, representing 62% of the capital stock of that company. Subsequent to the year end, an additional 316,390 shares have been acquired to increase the company's interest to 91%. As a means of effective participation in oil and gas exploration in western Canada, Basin holds 100,000 shares of the capital stock of Bluemount Resources Limited. This holding represents 5.9% of the capital stock of Bluemount outstanding at December 31, 1973. Based in Calgary, Bluemount carries on an active programme of oil and gas exploration in western Canada with the principal emphasis in Alberta. Early in 1974 that company terminated its joint exploration agreement with Northern Natural Gas Company and will now pursue an entirely independent exploration and development programme. Working capital for Bluemount following the termination transactions with Northern is approximately \$4,000,000.

CHIMO GOLD MINES LIMITED

As at the year end, your company held 670,000 shares of Chimo Gold Mines Limited. On April 11, 1974, your company accepted an offer from Central Patricia Gold Mines Limited to purchase your company's holdings of 670,000 shares of Chimo at your company's cost of \$1,140,841.82. As previously reported to you, Chimo Gold Mines Limited participates with your company to the extent of 20% in its exploration ventures and its associated company Calmor Iron Bay Mines Limited (39.1% owned by Chimo), to the extent of 13-1/3%. In addition, during the year both companies carried out exploration work with respect to projects in which they were involved on claims held by them prior to the 1st of January, 1972.

Income received by Chimo Gold Mines Limited during 1973 amounted to \$410,756 and included \$281,700 derived from royalty on the production of iron ore pellets from the Griffith Mine located near R  d Lake in the Province of Ontario. The mine is operated under a leasing arrangement by The Steel Company of Canada Limited.

CONWEST EXPLORATION OVERSEAS LIMITED

Your company held at the year end, 1,114,000 shares of Conwest Exploration Overseas Limited representing 45.5% of the capital stock of that company. Subsequent to the year end, an additional 631,000 shares have been acquired to increase the company's interest to 71.3% of the outstanding shares. Conwest Exploration Overseas Limited, through its subsidiary, Conwest Exploration (Australia) N.L., carried on a comprehensive programme of exploration in Australia during the year.

Conwest Exploration (Australia) N.L. was incorporated with a capital of 7,500,000 shares, of which there are issued and outstanding 5,250,000 shares. Conwest Exploration Overseas Limited holds 4,000,000 shares. Your company's holdings of Conwest Exploration Overseas Limited, therefore, represented an indirect 34.6% interest in the Australian company at the year end and an indirect interest of 54.3% at the date of this report. Due to difficulties arising out of new policies of the Australian Government concerning mining in general and foreign participation in particular, it became clear that continuation of a high rate of exploration expenditure could not be justified. An appraisal of the Australian capital market indicated that it would not be practical to raise additional funds in Australia. As a result, active exploration has been discontinued and the balance of funds in the company's treasury (which amounted to approximately \$475,000 at year end) has been conservatively invested in anticipation of a more favourable exploration climate in the future. Your attention is directed to the report of Mr. C. K. O'Connor, Exploration Manager for Australian operations, which is appended.

Mr. C. K. O'Connor, who has managed the exploration operations of Conwest Australia for the past four years, has returned to Toronto and joined your company's exploration department. Your directors welcome Mr. O'Connor's return and express their appreciation of his efforts on the company's behalf during his term in Australia.

GENERAL EXPLORATION

During the year, Conwest and its associates (the Conwest Group) participated in exploration expenditures as follows:

CONWEST GROUP

Conwest Exploration Company Limited	\$1,105,900.
Central Patricia Gold Mines Limited	45,000.
Chimo Gold Mines Limited	350,600.
Calmor Iron Bay Mines Limited	192,600.
	<hr/>
	\$1,694,100.
Expenditures by others on projects in which the Conwest Group participated	\$ 305,900.
Total Exploration Exposure	<hr/>
	\$2,000,000.

Pursuant to an agreement which came into effect January 1, 1972, Conwest, Central Patricia Gold Mines, Limited, Chimo Gold Mines Limited and Calmor Iron Bay Mines Limited (the Conwest Group) participated jointly in mineral exploration projects initiated during 1972 in the following proportions:

Conwest	53-1/3%
Central Pat	13-1/3%
Chimo	20%
Calmor	13-1/3%

Subsequently, Central Patricia increased its shareholdings in Conwest and withdrew from direct participation in subsequent exploration projects. Accordingly, exploration projects initiated on or after January 1, 1973 are carried in the following proportions:

Conwest	66- $\frac{2}{3}$ %
Chimo	20%
Calmor	13- $\frac{1}{3}$ %

JOINT EXPLORATION BY THE CONWEST GROUP (Projects initiated before January 1, 1973)

Conwest	53- $\frac{1}{3}$ %
Central Pat	13- $\frac{1}{3}$ %
Chimo	20%
Calmor	13- $\frac{1}{3}$ %

VERMONT, U.S.A.

A programme of geochemical and geophysical reconnaissance was carried out during 1972 by Prospecting Geophysics Limited on behalf of Conwest. Options to purchase were acquired during 1973 on three properties. Diamond drilling carried out since the year end to test geochemical and geophysical anomalies intersected copper sulphides below ore grade.

MONTANA, U.S.A.

Geophysical surveys and diamond drilling were carried out on the Alta Mine property in Montana. This work failed to find any extensions of the silver-lead-zinc orebodies which were mined previous to 1900.

NEW HAMPSHIRE, U.S.A.

The Conwest Group and others supported a programme of geochemical reconnaissance carried out by Prospecting Geophysics. The results were disappointing and no follow-up is planned.

JOINT EXPLORATION BY THE CONWEST GROUP (Projects initiated subsequent to January 1, 1973)

Conwest	66- $\frac{2}{3}$ %
Chimo	20%
Calmor	13- $\frac{1}{3}$ %

BRITISH COLUMBIA

Drifting and underground diamond drilling were carried out on claims optioned from Kennco Exploration (Western) Limited to evaluate a quartz vein carrying good grade silver-gold values in surface exposures. The gold and silver did not persist to depth and the option was surrendered.

The Conwest Group and two partners continued support of a prospecting syndicate in British Columbia managed by Messrs. Bacon and Crowhurst of Vancouver. The syndicate participated to the extent of 50% in the percussion drilling of a porphyry copper prospect in the Babine Lake area of B.C. Some very low grade copper intersections were obtained and Conwest terminated its participation in the exploration of this prospect. The syndicate also continued its prospecting programme in 1973 and early in 1974 drilled one target with negative results. The syndicate's prospecting programme in B.C. has been terminated.

YUKON TERRITORY

The Conwest group optioned 301 claims adjacent to claims staked by Barrier Reef Resources Limited in the Bonnet Plume area. The Barrier Reef claims contain impressive zinc mineralization in porous carbonate rocks. A programme of prospecting and geological mapping will be carried out on the Conwest Group claims this summer.

NORTHWEST TERRITORIES

Geological mapping, prospecting and trenching of mineral claims in the Godlin Lake area was not encouraging and the project was abandoned.

In the area of the Territories south of Bathurst Inlet, Dr. Stuart Roscoe carried out geological reconnaissance and prospecting on behalf of the Conwest Group and another exploration company. A

group of 160 claims has been staked to cover a series of gossans which warrant more detailed investigation. Dr. Roscoe will explore the gossans and do further prospecting this summer in the same general area.

OTHER EXPLORATION ACTIVITY

In a continuing search for exploration projects, technical data was reviewed, properties examined and geological, geophysical and geochemical reconnaissance was carried out in Canada and the U.S.A.

Since the end of the year, 172 claims were optioned in Lemoine Township in Quebec. These claims are adjacent to claims owned by another company on which a gold-base metal orebody has been discovered. Muscocho Explorations Limited will participate with the Conwest Group in exploration of the claims.

MUSCOCHO EXPLORATIONS LIMITED

Negotiations which began in 1973 with Muscocho, a company actively engaged in mineral exploration work in the Province of Quebec, were completed early in 1974 pursuant to which your company agreed to purchase 1,300,000 shares of Muscocho before the end of 1975 for the sum of \$520,000. Your company has purchased 600,000 of the said shares which gives your company 15.9% of the 3,764,105 shares of Muscocho currently outstanding. In addition, your company has undertaken to make available, through debentures to be issued, up to \$2,000,000. as needed for the Hebecourt and Lessard Projects in the Province of Quebec in which Muscocho participates. With respect to the first \$1,000,000. to be advanced by your company under the debentures, your company will receive 1,000 shares of Muscocho for each \$1,000. so advanced and with respect to the second \$1,000,000. to be advanced by your company under the debentures, your company will receive 400 shares of Muscocho for each \$1,000. so advanced. The debentures, which will bear interest at 6%, will mature in 1989. If all of the debentures are issued, your company will receive a further 1,400,000 shares of Muscocho and thereupon hold 2,700,000 shares of Muscocho representing 46% of the then issued shares of Muscocho.

Muscocho holds 15.55% interest in a copper property in Hebecourt Township, a part of which is now under lease to Noranda Mines Limited. Noranda are currently preparing to develop and mine the orebody. Royalties from this operation will provide substantial income to Muscocho over the next four years. In the Frotet Lake area, Muscocho has a 20% working interest in an optioned property being explored by Selco Mining Corp. on which encouraging copper values have been obtained by drilling. In the Albanel Lake area of Quebec, Muscocho holds a large group of claims on which a substantial iron deposit occurs. Preliminary feasibility studies are in progress in conjunction with others holding similar deposits in the area. Muscocho has other exploration projects in Quebec on which exploration programmes are in progress or planned. Muscocho will continue active exploration in the Province of Quebec.

GENERAL

Your company maintains a capable exploration staff under the management of Mr. T. L. Horsley, as set out in the statement of Management and Exploration Personnel. The active and aggressive policy of mineral exploration in Canada and elsewhere as opportunities may develop, will be continued.

Your directors express their appreciation of the faithful service rendered the company by all its employees.

On Behalf of the Board,

F. M. CONNELL,
Chairman.

C. R. ELLIOTT,
President.

Toronto, Ontario,
May 21, 1974.

CONWEST EXPLORATION (AUSTRALIA) N.L.

Exploration Manager's Report

Mr. C. R. Elliott,
Chairman,
Conwest Exploration (Australia) N.L.

Dear Sir,

I have the pleasure to submit my annual report on the operations of Conwest Exploration (Australia) N.L. for the year ended 31st December, 1973.

Exploration continued to be directed from our head office in Sydney while a small office was maintained in Perth. Four geologists were employed for most of the year. All employees were retrenched by 31st December, 1973, in keeping with a policy decision to temporarily suspend active exploration by Company personnel.

The Company's main effort continued to be concentrated in Western Australia, both for its own account and as a participant in numerous joint ventures.

Conwest and Consolidated Gold Fields Australia Limited jointly carried out a substantial base metals search including airborne geochemical surveys over five Temporary Reserves in Western Australia at Jackson, Diemals, and Jonesville. Results were not encouraging and all T.R.'s have been relinquished.

Conwest pegged a group of 45 mineral claims at Polelle and optioned them to Consolidated Gold Fields and Electrolytic Zinc Company of Australia Limited. An exploration programme of geological mapping, airborne magnetometer survey and rotary-percussion drilling failed to locate any base metal mineralization and the option was terminated. These claims have been relinquished.

The uranium joint venture with Consolidated Gold Fields and Getty Oil Development Company Limited completed evaluation of several remaining claim groups without encouragement and all claims have been surrendered.

Conwest acquired one Temporary Reserve at Abbots for base metals. Exploration by the Company including an airborne geophysical survey failed to locate significant mineralization and the T.R. was relinquished.

The joint venture with Placer Prospecting Australia Pty. Ltd. in the Fitzroy and Bonaparte areas of the Kimberleys is continuing. Exploration during 1973 included geophysical surveys and drilling. Although no economic lead-zinc mineralization was encountered, the areas warrant further exploration and plans are being drawn up for further work in the coming field season.

The Company is still awaiting advice from the Committee on Foreign Takeovers regarding its joint venture with Placer and Aquitaine Australia Minerals Pty. Ltd. on the Company's two Exploration Licences in the Bonaparte Gulf. Geological mapping and rotary-percussion drilling was carried out during the past field season, and extensive geophysical surveys are planned. The joint venture contemplates that Conwest will retain a 16% free carried interest until \$1,000,000 has been spent.

In March, 1973, the Company entered into an option agreement with Carpentaria Exploration Company Pty. Ltd. with respect to the Windarra North claims, whereby Carpentaria may acquire a 75% interest. Magnetometer surveys were completed and diamond drilling is planned for early 1974.

Conwest and Amax Exploration (Australia) Inc. farmed out their jointly held nickel prospect at Duplex Hill to Australian Anglo American Limited who may earn a 35% interest. Conwest will retain a 30.85% interest. Limited rotary-percussion and diamond drilling was completed before year end. Sulphide mineralization was encountered, but nickel values were low. Exploration is continuing.

The Bouchers nickel prospect near Coolgardie is inactive and the Company is continuing to seek a joint venture partner.

Conwest abandoned its 18-1/3% interest in the remaining Freddie Well Joint Venture claims, and has also surrendered all but three claims pegged during the Roebourne Currans Well rush.

A new group of 14 mineral claims at Penny Bore, also in the Youanmi area, was pegged during 1973. Following initial geological, geophysical and geochemical surveys, six claims were withdrawn, and the remaining eight are being held pending further developments in the area.

As of 31st December, 1973, Conwest holds in its own name or has an interest in two Exploration Licences in the Northern Territory and 169 mineral claims in Western Australia.

Total exploration expenditures for 1973 were \$225,774. Properties abandoned, plus general exploration, amounted to a write-off of \$309,730.

Respectfully submitted,
C. K. O'CONNOR, P.Eng.
Director.

Conwest Exploration

(Incorporated under
and in

Consolidated Balance Sheet (with comparative figures)

ASSETS

Current:	1973	1972
Cash	\$ 30,966	\$ 40,896
Bonds and short term deposits, at cost (which approximates market value)	2,987,716	2,189,364
Accounts receivable	333,864	277,414
Total current assets	<u>3,352,546</u>	<u>2,507,674</u>
Investment in mining companies and properties, at cost less amounts written off (notes 1-4):		
Shares with a quoted market value (market value 1973 — \$10,674,909; 1972 — \$11,892,940)	8,441,315	8,864,784
Other shares and advances (including investments in effectively controlled companies)	1,967,593	2,517,882
Mining properties and expenditures thereon	2,639,698	2,572,251
Total interest in mining companies and properties	<u>13,048,606</u>	<u>13,954,917</u>
Fixed assets, at cost less accumulated depreciation (1973 — \$23,083; 1972 — \$28,511)	<u>4,704</u>	<u>9,325</u>
Deferred past service pension costs (note 6)	<u>88,500</u>	<u>132,750</u>
	<u><u>\$16,494,356</u></u>	<u><u>\$16,604,666</u></u>

To the Shareholders of

Conwest Exploration Company Limited:

We have examined the consolidated balance sheet of Conwest Exploration Company Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
May 8, 1974.

AUDITORS

Company Limited

(In accordance with the laws of Canada)
and its subsidiaries

Balance Sheet — December 31, 1973

(As at December 31, 1972)

LIABILITIES		
Current:	1973	1972
Accounts payable	\$ 44,583	\$ 59,444
Unfunded portion of past service pension benefits (note 6)	191,200	202,600
Minority interest (note 2)	461,334	492,892
Shareholders' equity:		
Capital —		
Authorized:		
3,000,000 shares of no par value		
Issued:		
2,500,000 shares	1,284,998	1,284,998
Retained earnings	14,512,241	14,564,732
	15,797,239	15,849,730
On behalf of the Board:		
C. R. ELLIOTT, Director		
M. P. CONNELL, Director		
	\$16,494,356	\$16,604,666

The accompanying notes are an integral part of these financial statements.

REPORT

In our opinion, subject to such adjustments, if any, as may result from the outcome of the litigation referred to in note 8, these financial statements present fairly the consolidated financial position of the company and its subsidiaries as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting policies referred to in note 1 to the financial statements.

CLARKSON, GORDON & CO.

Chartered Accountants

Conwest Exploration Company Limited

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31, 1973
(with comparative figures for the year 1972)

Income:	1973	1972
Dividends	\$ 678,258	\$ 616,258
Interest	173,249	203,679
Gain on sale of investments	502,092	352,654
	<u>1,353,599</u>	<u>1,172,591</u>
 Expense:		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during year (note 1)	1,346,936	1,342,070
Corporate	32,000	30,500
Depreciation	2,577	5,931
	<u>1,381,513</u>	<u>1,378,501</u>
Less portion of expenditures recovered from other companies	416,808	326,838
	<u>964,705</u>	<u>1,051,663</u>
	388,894	120,928
Minority interest in losses of subsidiary companies	30,110	87,357
Net income for the year before undernoted items	419,004	208,285
Company portion of losses of effectively controlled companies (note 1)	59,576	167,945
Write down of investments in associated companies	411,919	79,457
	<u>471,495</u>	<u>247,402</u>
Net loss for the year	52,491	39,117
Retained earnings at beginning of year as previously reported ...	15,089,321	15,110,493
Prior period adjustment reflecting changes in accounting policies referred to in note 1	(524,589)	(356,644)
Retained earnings at beginning of year as restated	14,564,732	14,753,849
	<u>14,512,241</u>	<u>14,714,732</u>
Dividends		150,000
Retained earnings at end of year	<u>\$14,512,241</u>	<u>\$14,564,732</u>
Loss per share	<u>\$0.02</u>	<u>\$0.02</u>

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1973

(with comparative figures for the year 1972)

	<u>1973</u>	<u>1972</u>
Source of funds:		
Investment income	\$1,353,599	\$1,172,591
Application of funds:		
Mining exploration and development —		
Direct	1,442,101	1,479,334
Less recovered from others	<u>500,231</u>	<u>571,483</u>
	941,870	907,851
Subscription to shares in and advances to other companies for exploration pur- poses	<u>166,811</u>	<u>282,602</u>
Net funds applied to mining exploration and development	<u>1,108,681</u>	<u>1,190,453</u>
Excess (deficiency) of investment income over net funds applied to mining exploration and development	244,918	(17,862)
Dividends paid		(150,000)
Portfolio investment transactions —		
Cost of investments purchased	3,846,454	2,578,998
Cost of investments sold	<u>4,461,269</u>	<u>1,659,138</u>
Portfolio investment funds transferred to (from) working capital	<u>614,815</u>	<u>(919,860)</u>
Net increase (decrease) in working capital	859,733	(1,087,722)
Working capital at beginning of year	<u>2,448,230</u>	<u>3,535,952</u>
Working capital at end of year	<u>\$3,307,963</u>	<u>\$2,448,230</u>

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

1. Accounting policy

The accompanying financial statements include, on a consolidated basis, the accounts of the company and all of its subsidiaries. Conwest's interest in companies in which it has effective control (but not majority share ownership) are accounted for on the basis of cost plus the company's net equity in undistributed earnings in such companies since the date of investment in them less amounts written off. Other long-term investments are carried at cost less amounts written off.

Prior to 1973 the company did not consolidate its subsidiaries and did not account for investments on the equity basis (described above). The 1973 change in policy has been given retroactive effect and the 1972 figures have been restated resulting in an adjustment to 1972 opening retained earnings of \$356,644 and a decrease in previously reported 1972 earnings of \$167,945 (\$0.07 per share).

Subsidiary companies:

	Conwest Equity
Ayr Mines Limited	63%
Basin Oil Exploration Limited	62%
Bay Copper Mines Limited	80%
Coniska Copper Mines Limited	50%
Edlon Mines Limited	77%
Ketza River Mines Limited	64%
Manasan Mines Limited	74%
Ontario Lithium Company Limited	83%
Willow Creek Mines Limited	100%

Effectively controlled companies:

Hucamp Mines Limited	37%
Conwest Exploration Overseas Limited	45%
Liard Fluorspar Mines Limited	38%
West Graham Mines Limited	48%
Chance Mining & Exploration Company Limited	46%

The company and its subsidiaries write off all general exploration expenditures incurred during the year and capitalize the direct cost of acquisition, and expenditures thereon, of mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income and retained earnings.

2. Minority interest

Minority interest of \$461,334. (1972 — \$492,892.) is the interest of minority shareholders in subsidiary companies whose assets in the amounts shown below are included in the consolidated balance sheet under "Investment in mining companies and properties":—

	1973	1972
Shares with a quoted market value (market value 1973 — \$100,400; 1972 — \$109,000)	\$ 284,282	\$ 284,282
Other shares and advances	552,798	607,134
Mining properties and expenditures thereon	833,284	844,655
	<u>\$1,670,364</u>	<u>\$1,736,071</u>

3. Shares with a quoted market value at cost

	December 31, 1973			
	Number of shares	% of outstanding capital	Cost	Quoted market value
Chimo Gold Mines Limited	670,000	19.9%	\$1,140,842	\$ 596,300
Cassiar Asbestos Corporation Limited	550,100	10.0%	2,456,540	5,115,900
Central Patricia Gold Mines, Limited	311,224	12.0%	366,650	271,040
Other investments with a quoted market value			4,477,283	4,691,669
Total cost and market value December 31, 1973			<u>\$8,441,315</u>	<u>\$10,674,909</u>
Total cost and market value December 31, 1972			<u>\$8,864,784</u>	<u>\$11,892,940</u>

Subsequent to the year-end the company accepted an offer from Central Patricia Gold Mines, Limited to purchase the company's holdings of Chimo Gold Mines Limited at the company's cost of \$1,140,842.

4. Mining properties at cost and expenditures thereon

	1973	1972
Balance at beginning of year	\$2,572,251	\$2,923,679
Deduct prior years' expenditures charged to operations	143,700	598,246
	<u>2,428,551</u>	<u>2,325,433</u>
Add current year's expenditures capitalized, net of related recoveries of \$158,703 (1972 - \$244,645)	211,147	246,818
Balance at end of year	<u>\$2,639,698</u>	<u>\$2,572,251</u>

Pursuant to an agreement dated May 6, 1974 the company purchased from Central Patricia Gold Mines, Limited that company's interest in 533 mineral claims in the Pine Point area, Northwest Territories, for \$500,000.

5. Remuneration of officers and directors

The aggregate direct remuneration paid by the company and its subsidiaries during the year ended December 31, 1973:

To the nine directors	\$ 1,300
To seven officers of whom four are directors	122,000
To two others, deemed officers pursuant to the Ontario Securities Act	47,800
	<u>\$171,100</u>

The aggregate cost to the company during the year ended December 31, 1973 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years).

Re officers and directors	\$23,700
Re two others, deemed officers pursuant to the Ontario Securities Act	4,100
	<u>\$27,800</u>

6. Pension plan

The balance of deferred past service costs will be charged to operations in annual amounts of \$44,250 over the years 1974 and 1975. The present value of the unfunded portion of past service benefits is \$191,200 based on actuarial estimates made as at January 1, 1971. This amount is being funded by annual payments of \$21,600 (including interest) to December 31, 1985.

7. Muscocho Explorations Limited

Subsequent to the year-end Conwest Exploration Company Limited subscribed for 600,000 shares of Muscocho Explorations Limited at a cost of \$240,000. Under an agreement between the two companies Conwest is committed to subscribe for an additional 350,000 shares of Muscocho at 40 cents per share in each of the years 1974 and 1975. In addition, Conwest may be committed to finance additional exploration expenditures of Muscocho to a maximum of \$2,000,000 to the end of 1978, by subscribing for a combination of shares and income debentures of Muscocho.

8. Legal action

On April 15, 1971 Victor A. Sittler, Hiram H. Nelson, Ronald L. Kirk and Robert W. Kirk, the "plaintiffs", commenced an action in the Supreme Court of the Yukon Territory against Conwest Exploration Company Limited claiming up to 580,000 additional shares of Cassiar Asbestos Corporation Limited plus dividends and interest up to \$4.5 millions, or in the alternative damages up to an amount of approximately \$19 millions for breach of contract. The plaintiffs claim they are entitled to a further 100,000 shares under an agreement dated October 11, 1950 in addition to the 300,000 shares issued to the plaintiffs under an amending agreement dated June 7, 1951, and in addition they claim additional shares accrue to them without further consideration for subsequent increases in the authorized capital of Cassiar, being 480,000 shares or in the alternative 360,000 shares. The bases of the plaintiffs' claims are similar to those in an action by the plaintiffs commenced on July 9, 1958 in the Yukon Territory and discontinued by the plaintiffs on January 21, 1960. The present action was tried in October 1972 and judgment was reserved.

Although as of the date of the auditors' report judgment in the action has not been rendered by the Supreme Court of the Yukon Territory, the directors consider that they have an obligation to the shareholders to express their opinion on the possible effect the action might have on the company. It is the opinion of the directors that the plaintiffs' claim will not succeed and accordingly no provision therefor has been made in the financial statements.

Conwest Exploration Company Limited

Management and Exploration Personnel

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Executive Vice-President	-	-	-	-	-	-	-	-	-	M. P. CONNELL
Vice-President	-	-	-	-	-	-	-	-	-	I. F. T. KENNEDY, B.Sc., P.Eng.
Consulting Engineer	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc., P.Eng.
Assistant to the President	-	-	-	-	-	-	-	-	-	S. K. BRIGHAM, B.A.Sc., P.Eng.
Secretary	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER, F.C.I.S.
Treasurer	-	-	-	-	-	-	-	-	-	J. C. LAMACRAFT, C.A.
Assistant Secretary and Solicitor	-	-	-	-	-	-	-	-	-	D. B. MacDERMOTT, B.Sc., LL.B.

EXPLORATION AND DEVELOPMENT DIVISION:

Canada:

Manager	-	-	-	-	-	-	-	-	-	T. L. HORSLEY, B.A.Sc., P.Eng.
Chief Geologist	-	-	-	-	-	-	-	-	-	H. J. HODGE, B.A.Sc., P.Eng.
Geologist	-	-	-	-	-	-	-	-	-	C. K. O'CONNOR, B.Sc., P.Eng.
Geologist	-	-	-	-	-	-	-	-	-	T. E. WARREN, B.Sc., M.S.
Geologist	-	-	-	-	-	-	-	-	-	G. W. GRANT
Assistant to the Manager	-	-	-	-	-	-	-	-	-	K. G. MILLER
Land Secretary	-	-	-	-	-	-	-	-	-	S. GOODWIN

Australia:

Manager	-	-	-	-	-	-	-	-	-	C. K. O'CONNOR, B.Sc., P.Eng.
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Conwest Exploration Company Limited

INFORMATION CIRCULAR

By-Law Number 89

BE IT ENACTED, and it is hereby enacted, as By-Law Number 89 of Conwest Exploration Company Limited, as follows:—

1. The number of the board of directors of the Company be, and it is hereby decreased from nine (9) to seven (7).
2. By-Law Number 87 be, and it is hereby amended accordingly.

ENACTED by the board of directors this 13th day of May, 1974.

Solicitation of Proxies

This statement is furnished by the management of Conwest Exploration Company Limited, hereinafter called the "Company", in connection with the solicitation of proxies for use at the Annual and Special Meeting of Shareholders of the Company to be held at the Tudor Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, June 20, 1974, at 11:00 o'clock in the forenoon for the purpose set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies but the Company will not reimburse Shareholders' nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL AND SPECIAL MEETING, THE MANAGEMENT OF THE COMPANY SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to the Canada Corporations Act, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the executive offices of the

Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Annual and Special Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

As of May 21, 1974, the authorized capital of the Company is 3,000,000 shares without nominal or par value whereof 2,500,000 shares, are issued and outstanding as fully paid and non-assessable. Only shareholders of record June 20, 1974, the date of the Annual and Special Meeting, are entitled to vote thereat. The registered holders of all such shares are entitled at the Annual and Special Meeting to one vote for each share held.

To the knowledge of the directors and officers of the Company, the following are the only shareholders beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Company.

Name of Shareholder	Approximate Number of Shares Beneficially Owned	Percentage of Outstanding Shares
Ian F. T. Kennedy	270,401	10.8
Central Patricia Gold Mines, Limited	595,921	23.8

Election of Directors

In the event that By-Law 89 is ratified, the board of directors will consist of seven directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. Unless otherwise directed, it is intended to vote the proxies received pursuant to this solicitation for the election of the seven nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each are shown below, including the year in which each nominee first became a director of the Company:

Proposed Nominees	Principal Occupation or Employment	Director From	Number of Company Shares Beneficially Owned	Approximate number shares beneficially owned directly or indirectly of Subsidiary, Basin Oil Exploration Limited
Earl B. Connell	Farm Manager.	April 29, 1963	1,501	
Martin P. Connell	Executive Vice-President of the Company.	Sept. 27, 1968	82,756	2,501
John D. Christian	Chairman and President, Cassiar As- bestos Corporation Limited, an as- bestos mining company.	April 30, 1953	1	
Charles R. Elliott	President of the Company.	May 5, 1950	7,175	5,000
Stewart E. Jamieson	President of The British Metal Cor- poration (Canada) Limited.	April 30, 1953	1	
Ian F. T. Kennedy	Vice-President of the Company.	Sept. 27, 1968	270,401	12,728
John C. Lamacraft	Treasurer of the Company since March, 1972. Employed as chartered accountant by the Company since January, 1970. Employed by Thorne Gunn and Company from May, 1965 to January, 1970.		0	0

To the knowledge of the directors and officers of the Company, the following nominees together with associates, as defined by the Ontario Securities Act and the Canada Corporations Act, hold 10% or more of the issued and outstanding shares of the Company.

I. F. T. Kennedy		270,401
Associates:		
— McVittie-Graham Mining Company Limited	110,800	110,800
		<u>381,201</u>
Martin P. Connell		82,756
Associates:		
— McVittie-Graham Mining Company Limited	110,800	
— Central Patricia Gold Mines, Limited	595,921	706,721
		<u>789,477</u>

Remuneration of Officers and Directors

The aggregate direct remuneration paid by the Company during the year ended December 31, 1973:

To the nine directors	\$ 1,300
To nine officers of whom six are directors	122,000
To two others, deemed officers pursuant to the Ontario Securities Act	<u>47,800</u>
	<u>\$ 171,100</u>

The aggregate cost to the Company during the year ended December 31, 1973 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years):

Re directors and officers	\$ 23,700
Re two others, deemed officers pursuant to the Ontario Securities Act	<u>4,100</u>
	<u>\$ 27,800</u>

Appointment of Auditors

It is proposed that Clarkson, Gordon & Co., Chartered Accountants, the present Auditors, be re-appointed as auditors of the Company, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Company. Clarkson, Gordon & Co. have been the auditors of the Company since its inception.

Other Business

The management is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

DATED May 21, 1974,
Toronto, Ontario.

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited:

Your directors present herewith the twenty-second annual report on the affairs of your Company including the consolidated balance sheet as at December 31, 1973, statements of consolidated operations, retained earnings and source and application of funds for the year ended on that date and your auditors' report thereon.

FINANCIAL

The financial statements clearly indicate that 1973 was a difficult year for the Cassiar Mine and consequently for the Company. The net profit dropped from \$4,323,158 or 78.6 cents per share in 1972 to \$3,048,474 or 55.4 cents per share. As set out in the summary of consolidated operations (page 11) the profit before income taxes for 1973 was \$4,628,474 compared to \$7,198,158 in 1972. The Clinton Mine shows an increase in profit of \$254,488 before taxes, while the before tax profit at Cassiar Mine dropped by \$2,837,918. A provision for income taxes of \$1,580,000 in 1973 compared to \$2,875,000 in 1972 resulted in the net profits noted above.

In 1973, fibre production at Cassiar reached a record level of 108,479 tons. The grade of the ore milled however, was approximately 1% below normal, and in order to achieve this production an additional tonnage of ore had to be mined and milled. This increase in tonnage, together with extremely wet mining conditions exceeded the capacity of the drying plant and ore deliveries to the dry rock storage fell short of the tonnage milled by 45,282 tons. The shortfall was made up from ore stockpiles accumulated in the past in the mill area. The cost of mining and processing the additional ore is estimated at \$1,215,000. Increases in cost of labour, materials, transportation and other items approximated \$2,933,000. The waste amortization rate was increased in 1973 from \$1.68 to \$3.50 per ton of ore mined, adding a further \$1,796,000 to the above costs. The total increases in costs of \$5,944,000 were offset in part by increased revenue from fibre sales of \$3,107,000 and resulted in a net reduction in profit before tax from the Cassiar Mine of approximately \$2,837,000.

The diamond drilling that has been carried out over the past three years at Cassiar has assured another twenty years of open pit life. The programme to up-date the whole operation to the standards required for an efficient operation started with the mill expansion and will be continued in 1974 and 1975. The electrification of the pit is nearly completed and an eleven cubic yard shovel, a large rotary drill and six 75-ton trucks are scheduled to be in operation on waste removal by the end of June 1974. This equipment has the capacity to move the larger tonnages now required by the higher waste to ore ratios and at a considerably reduced unit cost. The capacity of the drying plant is being doubled by the addition of a new 60' by 7½' dryer and dust collecting system. The addition will be operative in April 1974 and will relieve the drying problems encountered during the past year, which were a factor in limiting the tonnage of ore that could be treated in the mill. An aerial tramway, designed to handle 300 tons of ore per hour, is scheduled for completion in June 1975. It will replace the present costly movement by the existing tramline and trucks. A new, more efficient concentrating plant located at the mill will be commissioned in ample time to handle material from the tramway.

The cost of the above items was estimated in November 1973 to be approximately \$9,000,000. Prices of materials and labour are escalating rapidly, and it is probable that some over-runs will occur. Every effort is being made to control and minimize the effect of this escalation. To finance these expenditures the company, subsequent to the year end, has arranged with its bankers to increase its line of credit secured pursuant to Section 88 of the Bank Act to \$18,000,000 as set out in Note 3 to the financial statements.

Capital expenditures for the year 1973 are summarized as follows:

	<u>CASSIAR MINE</u>	<u>CLINTON MINE</u>	<u>WHITEHORSE & NORTH VANCOUVER</u>
Plant and Equipment	\$2,922,490	\$ 578,376	\$ 67,344
Waste Removal	4,365,630	4,873,274	—
Development	74,316	277,243	—
	<u>\$7,362,436</u>	<u>\$5,728,893</u>	<u>\$ 67,344</u>

The Cassiar Mine in 1974 will be subject to additional taxes under the new British Columbia Mineral Land Tax Act. Regulations have not yet been published and hence the assessment and rate of tax applicable under this Act are still unknown. Under the Act, notice of assessment must be given taxpayers prior to May 1, 1974. Shareholders will be advised in the event that the increase in taxes proves to be substantial.

Mining in the footwall zone will be substantially completed during the third quarter of 1974 and thereafter a better grade of ore will be available to the mill. This and the measures described above to improve the metallurgical efficiency and to substantially reduce operating costs, along with improved prices for the company's products, should result in a return to a more acceptable level of profit.

SALES

Fibre sales from both operations in 1973 totalled 218,121 tons valued at \$49,611,809 compared with 202,296 tons valued at \$45,034,633 in 1972. Cassiar fibres accounted for \$3,106,805 of the increase and the Clinton fibres for \$1,470,371. Of the total sales increase of \$4,577,176, \$2,194,600 was accounted for by a price increase.

During the latter half of 1973 the market became strong and at the year end it appeared that this condition would continue through 1974. It is difficult to predict at this time what effect the oil shortage will have on future demand.

Due to increased costs the sales price of all grades of Cassiar and Clinton fibres was increased by 15% effective January 1, 1974. At the year end 13,500 tons of 1973 commitments remained to be shipped in 1974 at 1973 contract prices.

CASSIAR MINE

Mine

During the year 1,127,811 tons of ore were mined, of which 1,113,906 tons were treated in the concentrating plant to eliminate 273,865 tons of rock. The untreated balance of 13,905 tons was high grade ore which is not amenable to this form of concentration. The resulting 840,041 tons of concentrate and 13,905 tons of untreated ore were delivered to the mill, 489,359 tons by tramline and 364,587 tons by truck.

A total of 4,009,927 tons of waste was removed from the orebody at a cost of \$4,365,630. The waste is related to sections of ore that will be released for mining by its removal, and the cost is apportioned accordingly. As the ore is mined the appropriate portion of waste removal expense is written off as a part of the current ore mining cost. On this basis, the waste charge against the ore mined in 1973 was \$3.50 per ton and the waste charge against the ore to be mined in 1974 will be \$4.00 per ton.

Mill

The mill treated 899,228 tons of ore and concentrate and produced 108,479 tons of fibre. The recovered grade of the ore mined was 8.70% (excluding AZ) compared to 9.85% in 1972. A wet

summer and a long winter with an excessive amount of blowing snow severely hampered the operation of the concentrator at the mine, and reduced the capacity of the dryers at the mill. This restricted the mill at a time when it was necessary to have maximum throughput in order to compensate for the lower grade of ore.

As set out above, a new dryer is being installed at the mill and should be in operation by mid-April 1974.

Ore Reserves

A diamond drilling programme to provide information for grade control was started in 1973 and will continue in 1974. A few diamond drill holes to probe the footwall area are also required to provide more detailed information for the pit design.

Subject to minor revisions, which will arise from the above work, the probable ore reserves estimated to the 5360 foot level (i.e., 340 feet below the lower adit) are approximately 23,600,000 tons. During the year 264,345 tons previously considered low grade ore were reclassified as waste.

CLINTON MINE

Mine

During the year 1,744,794 tons of ore were mined and delivered to the mill by the tramline. A total of 540,354 tons of rock was rejected.

A total of 12,601,825 tons of waste was removed at a cost of \$4,873,274. Waste removal costs are capitalized and written off in the same manner as at Cassiar. In 1973 the charge against each ton of ore mined was \$2.02 and in 1974 will be \$2.55.

Mill

The mill treated 1,216,804 tons of concentrate and produced 100,147 tons of fibre. The recovered grade of the ore mined was 5.64% (excluding CZ) compared to 5.66% in 1972.

Ore Reserves

As a result of 1973 diamond drilling and reclassification during mining, the probable ore reserves in the main orebody were reduced by 936,429 tons and in the Creek orebody by 355,599 tons. On the other hand, 1,647,945 tons were added to the probable ore from the Snowshoe orebody, making a net gain of 355,917 tons. Further diamond drilling in the Bear Creek Extension of the main orebody, where 7,500,000 tons of Possible Ore reserves are located will be carried on in 1974. The reserves at December 31, 1973 were as follows:

	<u>Probable Ore</u>	<u>Possible Ore</u>
Main Orebody	5,841,738	7,500,000
Creek Orebody	371,440	—
Snowshoe Orebody	1,647,945	1,292,000
	<u>7,861,123</u>	<u>8,792,000</u>

TRANSPORT DIVISION

With the exception of a limited tonnage of fibre back-hauled by the White Pass and Yukon Route trucks the Transport Division continued to haul the Clinton fibre from the mine to Whitehorse.

The major part of Cassiar fibre is handled by the White Pass and Yukon Route via Whitehorse with the balance moving to Fort Nelson and Fort St. John and thence by the British Columbia Railroad.

The latest forecast for the completion of the British Columbia Railroad to Dease Lake is the fall of 1976.

KUTCHO CREEK ASBESTOS COMPANY LIMITED

No work was carried out on this property during the year and none is planned for 1974.

EXPLORATION

In New Zealand the company is exploring the Pyke Asbestos Property pursuant to an agreement made with a subsidiary of Kennecott Copper Corporation of New York and Lime and Marble Limited, a New Zealand company, as set out in the 21st Annual Report of the company.

A considerable amount of time and approximately NZ \$200,000 of the NZ \$400,000 commitment was spent in constructing a rough road from Jackfish Bay along the Coast for a distance of sixty miles, to a point about eight miles from the property. After a detailed reconnaissance in late October 1973 it was decided that further road construction would be too expensive and time consuming and that the balance of the funds would be used to drive three adits, each of 300 to 400 feet in length, into the South showing. The base camp was moved and by early January 1974 work had started on the first adit. This operation is helicopter supported and will take about four months to complete.

No general exploration in British Columbia or the Yukon was carried out during the year and none is planned for 1974.

RESEARCH

The company is continuing to conduct an active research programme pursuant to its contract with the Ontario Research Foundation.

TRAINING

The training programme is continuing at the Cassiar Mine and is proving helpful. In spite of this and other efforts at recruiting, a severe shortage of both tradesmen and labourers does exist and is hampering production and maintenance schedules.

LABOUR

An agreement was signed on March 27, 1973 with Local Number 1, Canadian Mine Workers union at the Clinton Mine. It is effective for the period December 1, 1972 to December 31, 1974.

ACKNOWLEDGEMENTS

The directors wish to acknowledge the loyal and efficient service given the company by the staff and employees of all divisions.

On behalf of the Board,

J. D. CHRISTIAN,
Chairman and President.

Toronto, Canada,
March 14, 1974.

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Hamilton Kitchener London
Windsor Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Cassiar Asbestos Corporation Limited and its subsidiaries as at December 31, 1973 and the statements of consolidated operations and retained earnings and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 11, 1974.

Clarkson, Gordon & Co.

Chartered Accountants

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENTS OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31, 1973

OPERATIONS

Revenue:	1973	1972
Asbestos fibre sales	\$49,611,809	\$45,034,633
Other sales	634,659	393,060
Investments	3,048	29,869
Gain on sale of assets	—	7,058
	<u>50,249,516</u>	<u>45,464,620</u>
Expenses:		
Cost of sales (notes 1 and 2)	31,428,905	25,487,616
Transportation to Vancouver and warehousing (note 1) . . .	10,363,519	9,354,631
Administration, selling and general expenses	2,791,533	2,388,604
Exploration and research expenses (note 2)	179,674	263,458
Interest on borrowings (note 3)	857,411	654,241
Loss realized on investments	—	127,091
	<u>45,621,042</u>	<u>38,275,641</u>
	4,628,474	7,188,979
Minority interest in loss of subsidiary	—	9,179
Profit before income taxes	<u>4,628,474</u>	<u>7,198,158</u>
Income taxes (note 4):		
Current	125,000	200,000
Deferred	1,455,000	2,675,000
	<u>1,580,000</u>	<u>2,875,000</u>
Net profit for the year	<u>\$ 3,048,474</u>	<u>\$ 4,323,158</u>
Earnings per share	<u>55.4¢</u>	<u>78.6¢</u>

RETAINED EARNINGS

Balance at beginning of year	\$21,019,221	\$20,546,063
Net profit for the year	3,048,474	4,323,158
	<u>24,067,695</u>	<u>24,869,221</u>
Dividends	3,300,000	3,850,000
Balance at end of year	<u>\$20,767,695</u>	<u>\$21,019,221</u>

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1973

Source of funds:

Operations —	1973	1972
Net profit (excluding gain on sale of assets)	\$ 3,048,474	\$ 4,316,100
Waste removal costs amortized	7,461,405	5,094,200
Development and preproduction costs amortized	897,938	916,589
Exploration costs written off	47,612	152,607
Depreciation	4,768,177	4,589,820
Income taxes deferred	1,455,000	2,675,000
Loss realized on investments	—	127,091
	<u>17,678,606</u>	<u>17,871,407</u>
Sale of investments	—	292,409
	<u>17,678,606</u>	<u>18,163,816</u>

Application of funds:

Plant and equipment (net) —		
Cassiar Mine	2,922,490	1,632,881
Clinton Mine	578,376	901,665
Transport Division	32,731	192,461
Asbestos Wharf	14,242	2,354
Whitehorse	20,371	69,762
Waste removal costs —		
Cassiar Mine	4,365,630	3,437,140
Clinton Mine	4,873,274	5,417,807
Employees' home purchase agreements	26,742	41,429
	<u>12,833,856</u>	<u>11,695,499</u>
Exploration, development, mining claims and land (net) . .	815,795	553,325
Purchase of minority interest	—	300,000
Minority interest in consolidated subsidiary	—	9,179
Purchase of investments	10,100	—
Current portion of long term bank loan	1,000,000	1,000,000
Dividends	3,300,000	3,850,000
	<u>17,959,751</u>	<u>17,408,003</u>
Increase (Decrease) in working capital during year	(281,145)	755,813
Working capital beginning of year	2,301,735	1,545,922
Working capital end of year	<u>\$ 2,020,590</u>	<u>\$ 2,301,735</u>

CASSIAR ASBESTO

(Incorporated under

and

Consolidated Balance Sheet

ASSETS

Current:	1973	1972
Accounts receivable	\$ 8,513,352	\$ 8,091,481
Asbestos fibre at cost	3,443,726	4,217,194
Ore stockpiled at cost	111,952	534,010
Inventory of supplies at cost	3,825,332	3,299,371
Prepaid expenses	242,362	167,910
Total current assets	<u>16,136,724</u>	<u>16,309,966</u>
Investments at cost (market value 1973 — \$50,000; 1971 — \$40,000)	<u>50,130</u>	<u>40,030</u>
Employees' home purchase agreements at cost	<u>650,502</u>	<u>623,760</u>
Fixed (at cost — note 1):		
Mine plant and equipment	48,315,459	46,447,308
Automotive equipment	9,687,757	9,307,984
Asbestos Wharf — leasehold improvements, buildings and equipment	1,385,033	1,386,643
Whitehorse — buildings and equipment	1,130,805	1,110,424
Roads	186,815	186,815
	<u>60,705,869</u>	<u>58,439,174</u>
Less accumulated depreciation	<u>28,539,734</u>	<u>25,073,069</u>
	<u>32,166,135</u>	<u>33,366,105</u>
Deferred (note 2):		
Mining claims and land at cost	2,798,289	2,799,189
Exploration, development and preproduction costs less amounts written off	4,614,217	4,743,069
Waste removal costs less amounts written off	26,946,305	25,168,806
	<u>34,358,811</u>	<u>32,711,064</u>
	<u>\$83,362,302</u>	<u>\$83,050,925</u>

CORPORATION LIMITED

(da Corporations Act)

liaries

December 31, 1973

LIABILITIES

Current:	1973	1972
Bank indebtedness (note 3)	\$ 8,620,137	\$ 9,296,510
Accounts payable and accrued charges	3,909,622	2,994,606
Dividend payable January 29, 1974 (January 29, 1973) . . .	825,000	825,000
Taxes payable	761,375	892,115
Total current liabilities	<u>14,116,134</u>	<u>14,008,231</u>
Term bank loan (note 3)	<u>3,000,000</u>	<u>4,000,000</u>
Income taxes deferred (note 4)	<u>16,575,000</u>	<u>15,120,000</u>
Shareholders' equity:		
Capital —		
Authorized:		
5,500,000 shares without nominal or par value		
Issued:		
5,500,000 shares	28,903,473	28,903,473
Retained earnings	20,767,695	21,019,221
	<u>49,671,168</u>	<u>49,922,694</u>
On behalf of the Board:		
J. D. CHRISTIAN, Director		
C. R. ELLIOTT, Director		
	<u>\$83,362,302</u>	<u>\$83,050,925</u>

Cassiar Asbestos Corporation Limited

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

1. Fixed Assets

The basis of depreciation is as follows:

Buildings — 5% per annum on cost

Equipment — 10% per annum on cost

Automotive equipment cost is charged to operations at uniform rates over the estimated useful life.

During the year the depreciation charged to operations amounted to \$4,768,177 (1972 — \$4,589,820).

2. Deferred Assets

The basis of amortization and write-off is as follows:

Amortization of waste removal costs —

Waste removal costs are charged to operations on a per ton of ore mined basis, the rate being determined by dividing the cost of waste removal by the estimated tons of ore to be released.

During the year waste removal costs charged to cost of production amounted to \$7,461,405 (1972 — \$5,094,200).

Amortization of development and preproduction costs —

Preproduction costs for the Cassiar Mine have been written off over prior periods. Preproduction costs for the Clinton Mine and development costs for both mines are amortized on a per ton of ore mined basis, the rate being determined by dividing the cost by the estimated ore reserves.

During the year development and preproduction costs charged to cost of production amounted to \$897,938 (1972 — \$916,589).

Write-off of exploration costs —

The companies' policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of operations.

3. Bank Credit

The companies have established a line of credit secured pursuant to section 88 of the Bank Act by a general assignment of accounts receivable and inventories of asbestos fibre, ore and supplies.

At the year end borrowings consisted of the following —

	1973	1972
Term loan	\$ 4,000,000	\$ 5,000,000
Banker's acceptance notes	5,500,000	5,500,000
Demand loan	2,120,137	2,796,510
	<u>\$11,620,137</u>	<u>\$13,296,510</u>

The term loan is repayable in annual instalments of \$1,000,000 each with a final payment in October 1976 of \$2,000,000. Interest is payable at the bank prime rate plus 1% on the term loan. Interest expense on the term loan was \$422,671 in 1973. Subsequent to the year end the company negotiated an increase in the line of bank credit to \$18,000,000.

4. Income Taxes

The companies follow the income tax allocation method of accounting for all differences in the timing of deductions for tax and accounting purposes arising from depreciation, waste removal costs, and exploration, development and preproduction costs. Income taxes deferred of \$16,575,000 represent income tax reductions which have arisen to date from claiming such items for tax purposes in excess of the amounts recorded in the accounts. The variance from the customary relationship between profit before the provision for income taxes and the provision for income taxes in 1973 is due to certain permanent differences which are not expected to recur in 1974.

The decision (presently under appeal in the Supreme Court of Canada) of Federal Court of Appeal in the case of another taxpayer delivered on May 9, 1973, raises a possibility that a portion of the income from the Clinton mine for the period

April 1, 1968 to March 31, 1971, which the company previously reported as being exempt under the provisions of the Income Tax Act, may be subjected to tax. There is no satisfactory precedent on which to base an estimate of the amount of tax, if any, which might be involved.

5. **Consolidated subsidiaries**

Cassiar Asbestos (Alaska) Inc.	— 100% owned
Kutcho Creek Asbestos Company Limited	— 100% owned
Territorial Supply Company Limited	— 100% owned

6. **Remuneration of Officers and Directors**

The aggregate direct remuneration paid by the companies during the year ended December 31, 1973:

To the fourteen directors	\$ 19,975
To the seven officers of whom five are directors	196,415
To three others, deemed officers pursuant to the Ontario Securities Act	87,500
	<u>\$ 303,890</u>

The aggregate cost to the companies during the year ended December 31, 1973 with respect to all pension benefits proposed to be paid in the event of retirement at normal retirement age (65 years):

Directors and officers	\$ 25,256
Three others, deemed officers pursuant to the Ontario Securities Act	11,586
	<u>\$ 36,842</u>

7. **Pension Plan**

The present value of the unfunded portion of past service benefits is approximately \$715,000 at December 31, 1973. The amount is being funded and charged to operations by annual payments of \$62,000, including interest.

8. **Subsequent Events**

The company currently plans major capital expenditures for Cassiar Mine plant and equipment during 1974 and 1975 of approximately \$9,000,000 in total of which \$5,200,000 has been committed to this date.

CASSIAR ASBESTOS CORPORATION LIMITED — TEN YEAR REVIEW

	1973	1972	1971
Ore mined (tons)	2,872,605	2,904,478	2,715,039
Ore and concentrate milled (tons)	2,116,032	2,022,367	2,187,817
Waste removed (tons)	16,611,752	17,906,364	15,232,740
Fibre produced (tons)	208,626	209,252	180,206
Fibre sold (tons)	218,121	202,296	182,077
Fibre sales	\$49,611,809	\$45,034,633	\$40,563,996
Profit before deducting the following	\$17,803,606	\$17,951,374	\$15,102,173
Depreciation	4,768,177	4,589,820	4,096,354
Exploration and development written off	8,406,955	6,163,396	4,237,673
Net earnings before taxes	4,628,474	7,198,158	6,768,146
Provision for current taxes	125,000	200,000	(130,000)
Provision for deferred taxes	1,455,000	2,675,000	2,270,000
Net earnings	\$ 3,048,474	\$ 4,323,158	\$ 4,628,146
Net earnings per share	55½¢	78½¢	84¢
Dividends declared per share	60¢	70¢	80¢

CAPITAL EXPENDITURES:

Land, plant and equipment	\$ 3,567,310	\$ 2,785,573	\$ 4,580,199
Mine development — Cassiar	4,439,946	3,622,077	3,707,584
— Clinton	5,150,517	5,636,806	4,629,078
Exploration	465,139	162,939	181,465

BALANCE SHEET — AT END OF FISCAL PERIOD:

Net working capital and investments	\$ 2,721,222	\$ 2,965,525	\$ 2,567,925
Territorial Supply Company Limited	— *	— *	— *
Plant and equipment	60,705,869	58,439,174	57,975,526
Mining claims and land	2,798,289	2,799,189	2,806,238
Deferred development	31,560,522	29,911,875	26,653,449
Total	97,785,902	94,115,763	90,003,138
Deduct — Term bank loan	3,000,000	4,000,000	5,000,000
— Purchase contract payable	—	—	—
— Deferred taxes	16,575,000	15,120,000	12,445,000
— Accumulated depreciation	28,539,734	25,073,069	22,819,281
— Minority interest in subsidiary	—	—	289,321*
Shareholders' equity	\$49,671,168	\$49,922,694	\$49,449,536
Shares of capital stock issued at end of period	5,500,000	5,500,000	5,500,000

* Included as subsidiary

1970	1969	1968	1967	1966	1965	1964
2,398,155	1,729,053	1,798,284	1,029,474	901,650	743,765	705,205
2,024,475	1,565,703	1,287,107	756,787	706,492	613,404	587,908
8,806,038	6,583,976	6,289,136	4,125,054	4,299,373	4,542,457	3,464,705
190,256	167,411	140,021	92,093	87,900	85,432	66,897
196,387	171,493	124,728	91,973	94,089	82,883	64,245
\$41,321,623	\$37,188,930	\$27,119,821	\$21,023,006	\$20,393,363	\$17,526,197	\$14,466,691
\$16,471,450	\$14,997,704	\$11,794,325	\$10,116,004	\$ 9,841,812	\$ 8,498,620	\$ 7,336,746
3,939,274	3,436,982	3,136,853	1,492,336	1,439,523	1,134,471	1,093,058
4,011,864	3,107,799	2,085,080	1,798,483	1,616,523	1,295,677	1,265,226
8,520,312	8,452,923	6,572,392	6,825,185	6,785,766	6,068,472	4,978,462
760,000	2,165,000	1,395,000	500,000	765,000	1,310,000	1,185,000
620,000	(375,000)	345,000	2,150,000	1,875,000	1,070,000	765,000
\$ 7,140,312	\$ 6,662,923	\$ 4,832,392	\$ 4,175,185	\$ 4,145,766	\$ 3,688,472	\$ 3,028,462
\$ 1.31	\$ 1.27	92¢	80¢	87¢	81¢	76½¢
80¢	60¢	60¢	60¢	60¢	60¢	60¢
\$ 9,901,130	\$ 3,008,666	\$ 4,356,990	\$11,756,202	\$ 8,881,995	\$ 2,739,710	\$ 1,962,105
3,516,559	2,555,898	2,307,866	2,801,594	2,508,192	2,715,778	2,259,102
2,073,600	1,396,342	2,196,969	2,072,857	2,719,191	737,708	305,250
334,584	182,760	66,948	197,894	269,778	21,656	25,348
\$ (118,687)	\$ (576,669)	\$ (3,117,663)	\$ 2,500,502	\$ 3,194,817	\$11,437,161	\$ 3,497,143
— *	— *	— *	175,000	175,000	175,000	225,000
54,454,456	45,643,198	42,921,458	38,361,730	26,720,300	18,115,007	15,827,789
2,808,919	2,768,372	2,777,964	2,695,315	2,630,491	2,599,956	2,590,712
22,372,995	20,459,700	19,412,718	16,945,301	13,737,213	9,864,030	7,693,810
79,517,683	68,294,601	61,994,477	60,677,848	46,457,821	42,191,154	29,834,454
—	—	—	4,000,000	—	—	—
—	—	—	75,000	150,000	225,000	300,000
10,175,000	9,555,000	9,930,000	9,585,000	7,435,000	5,560,000	4,490,000
19,821,513	16,972,111	13,811,866	10,679,085	9,302,471	8,116,570	7,434,592
299,780*	236,412*	232,956*	—	—	—	—
49,221,390	\$41,531,078	\$38,019,655	\$36,338,763	\$29,570,350	\$28,289,584	\$17,609,862
5,500,000	5,252,500	5,252,500	5,252,500	4,775,000	4,775,000	3,960,000

Cassiar Asbestos Corporation Limited

and its subsidiaries

SUMMARY OF CONSOLIDATED OPERATIONS For the Year Ended December 31, 1973

	1973			1972				
	<u>Total</u>	<u>Clinton Mine</u>	<u>Cassiar Mine</u>	<u>Subsidiary company</u>	<u>Total</u>	<u>Clinton Mine</u>	<u>Cassiar Mine</u>	<u>Subsidiary company</u>
Revenue:								
Asbestos fibre sales	\$49,611,809	\$20,139,185	\$29,472,624		\$45,034,633	\$18,668,814	\$26,365,819	
Other sales	634,659			\$ 634,659	393,060			\$ 393,060
Investments	3,048		3,048		29,869		29,869	
Gain on sale of assets					7,058			7,058
	<u>50,249,516</u>	<u>20,139,185</u>	<u>29,475,672</u>	<u>634,659</u>	<u>45,464,620</u>	<u>18,668,814</u>	<u>26,395,688</u>	<u>400,118</u>
Expenses:								
Cost of sales	31,428,904	13,170,133	17,745,930	512,841	25,487,616	12,378,370	12,789,701	319,545
Transportation to Vancouver and warehousing	10,363,518	5,172,576	5,190,942		9,354,631	4,857,331	4,497,300	
Administration, interest, selling and general expenses	3,648,946	1,381,286	2,132,055	135,605	3,042,845	1,272,411	1,653,149	117,285
Exploration and research expenses	179,674		179,674		263,458		263,458	
Loss realized on investments					127,091		127,091	
	<u>45,621,042</u>	<u>19,723,995</u>	<u>25,248,601</u>	<u>648,446</u>	<u>38,275,641</u>	<u>18,508,112</u>	<u>19,330,699</u>	<u>436,830</u>
	<u>4,628,474</u>	<u>415,190</u>	<u>4,227,071</u>	<u>(13,787)</u>	<u>7,188,979</u>	<u>160,702</u>	<u>7,064,989</u>	<u>(36,712)</u>
Minority interest in loss of subsidiary					9,179			9,179
Profit (loss) before income taxes	<u>\$ 4,628,474</u>	<u>\$ 415,190</u>	<u>\$ 4,227,071</u>	<u>\$ (13,787)</u>	<u>\$ 7,198,158</u>	<u>\$ 160,702</u>	<u>\$ 7,064,989</u>	<u>\$ (27,533)</u>

Cassiar Asbestos Corporation Limited

Management and Operating Personnel

GENERAL OFFICERS

Chairman of the Board and President	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Executive Vice-President	-	-	-	-	PETER STEEN, P.Eng.
Vice-President and Secretary	-	-	-	-	C. R. ELLIOTT, C.A.
General Manager	-	-	-	-	J. G. BERRY, B.Sc.
Manager of Operations	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Manager of Engineering	-	-	-	-	S. K. BRIGHAM, B.A.Sc.
Technical Consultant, Projects	-	-	-	-	A. C. CARON
Technical Consultant, Fibre	-	-	-	-	B. DONNER, P.Eng.
Assistant Secretary	-	-	-	-	J. R. SCRIMGER, F.C.I.S.
Treasurer	-	-	-	-	M. G. MAZURKEWICH
Assistant Treasurer	-	-	-	-	M. P. CONNELL
Comptroller	-	-	-	-	A. T. KANA, B.Sc., C.A.

OPERATING DIVISIONS

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	J. R. MURDOCH, B.Sc.
Mine Superintendent	-	-	-	-	B. ALLAN, B.Sc.
Mill Superintendent	-	-	-	-	P. CONDER, B.Sc.
Plant Superintendent	-	-	-	-	H. C. METCALFE, B.Sc.
Equipment Supervisor	-	-	-	-	W. ZEMENCHIK
Mechanical Supervisor	-	-	-	-	F. D. COUSINS
Electrical Supervisor	-	-	-	-	F. KLIMENT
Surface Supervisor	-	-	-	-	L. TISCHLER
Chief Engineer	-	-	-	-	G. H. McLEOD, B.Sc.
Chief Geologist	-	-	-	-	W. N. PLUMB, B.E.M., B.A.Sc.
Office Manager	-	-	-	-	J. H. THORNICROFT

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	M. DE ROUIN, B.A.Sc.
Mine Superintendent	-	-	-	-	D. R. HUDGEON
Mill Superintendent	-	-	-	-	W. LYALL, B.Sc.
Plant Superintendent	-	-	-	-	G. L. KINGSTON, B.A.Sc.
Equipment Supervisor	-	-	-	-	NEIL CROSS
Mechanical Supervisor	-	-	-	-	P. J. WATTERS
Electrical Supervisor	-	-	-	-	D. D. VARNEY
Chief Engineer	-	-	-	-	N. W. KELLY, B.Sc.
Office Manager	-	-	-	-	D. O. ACASON
Chief Mine Accountant	-	-	-	-	E. P. MELNYK

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	W. E. ROYDS, D.S.M., C.D., B.A.Sc.
Assistant General Superintendent	-	-	-	-	W. G. WHITEHOUSE

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	-	-	J. T. WARD
Superintendent, Asbestos Wharf	-	-	M. PHILLIPS
Purchasing Agent	-	-	K. B. SCRIMGER

